

Message Text

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ACTION EUR-25

INFO OCT-01 ISO-00 EURE-00 PM-07 NSC-10 SPC-03 SS-15

RSC-01 L-03 H-03 CIAE-00 INR-10 NSAE-00 PA-03 USIA-15

PRS-01 EB-11 COME-00 STR-08 OMB-01 FCSC-01 TRSE-00

INT-08 SCS-03 SCA-01 DRC-01 /131 W

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P R 251607Z SEP 73

FM AMEMBASSY PRAGUE

TO SECSTATE WASHDC PRIORITY 5150

INFO AMEMBASSY WARSAW

C O N F I D E N T I A L PRAGUE 2278

WARSAW FOR JOHN BAKER

E.O. 11652: GDS

TAGS: PFOR, EFIN, L/C, CZ

SUBJECT: CLAIMS NEGOTIATIONS: SURPLUS PROPERTY PAYMENTS

REF: PRAGUE 2277, PRAGUE 2268 AND PREVIOUS

1. IN TUESDAY SESSION ZANTOVSKY SET FORTH CZECH POSITION ON RESUMPTION OF PAYMENT OF SURPLUS PROPERTY INDEBTEDNESS. HE PROPOSED PAYMENT OF \$4.9 MILLION PRINCIPAL, ARGUING THAT INTEREST SHOULD NOT BE CHARGED SINCE SUSPENSION OF PAYMENTS WAS REACTION TO WITHDRAWAL OF MFN. HE THEN REFERRED TO 1970 US PROPOSAL THAT CZECH RESUME PAYMENTS, WITH US PREPARED TO ACCEPT CROWNS OR PROPERTY, AND SAID THAT CZECHS WOULD LIKE TO PURSUE THIS POSSIBILITY.

2. WE REJECTED POSITION, POINTING OUT THAT (1) PAYMENT OF PRINCIPAL AND INTEREST WAS SPECIFIC OBLIGATION UNDER VALID AGREEMENT AND (2) US PROPOSAL IN 1970 WAS NOT OFFER TO ACCEPT CROWNS AS SUCH BUT ATTEMPT TO UNFREEZE CZECH INDEBTEDNESS.

3. NEVERTHELESS, WE URGE DEPARTMENT CONSIDERATION OF SOME
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ARRANGEMENT UNDER WHICH WE WOULD ACCEPT SURPLUS PROPERTY

PAYMENTS IN CROWNS, AT PREFERENTIAL RATE NOT NOW AVAILABLE,
TO COVER US COSTS.

4. WE BELIEVE IT POSSIBLE, IF BY NO MEANS CERTAIN, THAT
CZECHS WILL EVENTUALLY AGREE TO \$21 MILLION LUMP SUM AND TO
REASONABLE PAYMENT SCHEDULE. HOWEVER, IT SEEMS CLEAR THAT THEY
WILL NOT ACCEPT THESE KEY TERMS IF WE GRANT NO CONCESSIONS
ON SECONDARY PROVISIONS OF AGREEMENT. WE HAVE ALREADY TOLD
CZECHS FLATLY THAT LUMP SUM MUST MEET OUR REQUIREMENTS.
CZECHS HAVE THUS FAR NOT SHOWN INTEREST IN DISCUSSING PAYMENT
TERMS, BUT CAN HARDLY BE EXPECTED TO REGARD OUR POSITION AS
CONCESSION. THEY HAVE ALREADY GIVEN WAY ON PARALLEL TRADE
TALKS, AND EVIDENTLY ACCEPT OUR REJECTION OF ANY SPECIFIC
PAYMENTS TIE TO MFN. THIS LEAVES LITTLE FOR SWEETENERS,
EXCEPT FOR SIZABLE SURPLUS PROPERTY INDEBTEDNESS.

OUR PRESENT

POSITION WOULD, OF COURSE, ADD ONE-THIRD TO LUMP-SUM AND ALMOST
QUINTUPLE INITIAL PAYMENT. CONCESSION ON SURPLUS
PROPERTY PAYMENTS WOULD, GIVE PREFERENTIAL RATE, EFFECT
SAVINGS IN US GOVERNMENT OPERATIONS. ESSENTIALLY, HOW-
EVER, IT WOULD PROVIDE SINGLE IMPRESSIVE COMPROMISE IN OUR
POSITION.

5. WE WOULD, OF COURSE, REGARD THIS CONCESSION AS CONDITIONAL
UPON PAYMENT OF LUMP SUM WITH REASONABLE PAYMENT SCHEDULE.
IF DEPARTMENT CANNOT OBTAIN AGREEMENT TO ADJUSTMENT IN POSI-
TION, WE SEE LITTLE BASIS FOR CONTINUING NEGOTIATIONS IN
PRESENT PHASE. THEREFORE, WE WOULD APPRECIATE INSTRUCTIONS.
WORTZEL

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